November 3, 2017

Dear Investors,

The Dow Jones Industrial Average and S&P 500 Index have moved higher for eight consecutive weeks. This unprecedented rally has been fueled by anticipation, hope and better than expected corporate earnings. The anticipation is for new tax legislation that could reduce the corporate tax rate from 35% to 20%. The hope is for the tax proposal passing and stimulating economic growth. The strong third quarter earnings from Facebook, Amazon, Netflix and Google (FANG) and a few Blue Chip stocks overshadowed other sectors that did not garner as many headlines. Seven weeks ago, the markets generated a buy signal and remain there this weekend. Two weeks ago, I discussed an article suggesting that smart money is not buying at this point. Remember, someone is selling if these investors are buying.

The Dow Jones Industrial Average gained 105.00 points, or 0.45%, for the second consecutive week to close at 23,539.19, and is up 19.1% for this year. The S&P 500 Index only added 6.77 points, or 0.3%, this week to close at 2,587.84, and is up 15.6% this year. The NASDAQ Composite gained 63.18 points, or 0.9%, this week to close at 6,764.44, and is up 25.5% this year. Meanwhile, the Russell 2000 declined for the second consecutive week, falling 13.41 points, or -0.9%, to close at 1,494.91, and is up only 10.2% year to date. Gold slipped $4.40 this week to close at $1,270.20, and is up 19.4% this year.

The House Ways and Means Committee released the details of its Tax Cut and Jobs Act this week. The tax proposal would cut the corporate tax rate to 20%, as advertised, reduce individual tax rates, and eliminate the Alternative Minimum Tax (AMT) but expand the tax base. The tax base would expand by eliminating the deduction for state and local income taxes, limiting the deduction for real estate taxes to $10,000 and limiting the deductibility of mortgage interest on home purchases for loans up to $500,000 (currently limited to $1.1 million). In exchange for the loss of deductions, the standard deduction will be increased to $12,000 for single taxpayers and $24,000 for married couples that file joint returns. This sounds disastrous for NJ homeowners and homeowners of other high tax states, but the reality is that most households earning between $150,000 to $500,000 in these states are paying the AMT which disallows all of your state and local taxes and exemptions. In most scenarios that I have looked at, many taxpayers would be paying the same or less in taxes with the new proposal.

On Friday, the October Jobs Report showed that 261,000 jobs were added to the economy last month and the September and August reports were substantially revised higher by 90,000 total jobs. This highlights the absurdity of this report. The unemployment rate is at 4.1% after over 700,000 Americans left the workforce.

From a technical aspect, the markets are still showing a buy indication meaning there could be more upside, but the bearish divergences are extraordinary. The weekly relative strength index remains over-bought suggesting the markets can turn at any point.

It you would like to know how the current tax proposal will affect your tax situation, please give me a call. If you are a current client, I can give you an estimate upon request. If you are not a client, I can give you an estimate with just five questions from your 2015 tax return. It is important to resist the greed associated with prolonged market rallies. Prudent investors have been fearful. If you are retired or nearing retirement, now is not the time to chase the markets. If you or someone you know would like to review your portfolio, please contact our office. I encourage you to learn how our B.E.L.I.E.V.E. Wealth Management process can clarify your retirement goals. Our no-obligation consultation could be the first step toward your retirement goal. Is it time for your assets to start working for you instead of you working for your assets? Please call our office or email info@summitasset.com.

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*The Standard & Poor’s 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*

*The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.*

*The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market.*

*The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.*

*The Blue Chip Index is a stock index that tracks the shares of the top-performing publicly traded companies.  These indices are unmanaged, which cannot be invested into directly.*

*Precious metal investing involves greater fluctuation and potential for losses.*

*Past performance is no guarantee of future results.*